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SPECIAL COMMITTEE ON THE SITUATION WITH REGARD TO THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

CAYMAN ISLANDS

Working paper prepared by the Secretariat

1. Basic information on economic conditions in the Cayman Islands with particular reference to foreign economic interests is contained in the working paper prepared by the Secretariat in 1992 (A/AC.109/1097). Supplementary information on the activities of foreign economic interests in the Territory is set out below. 1/

2. In his statement to the third Annual Cayman Islands Bankers Association Conference on 22 November 1991, Mr. Alan J. Scott, Governor of the Cayman Islands, outlined the policy of the territorial Government vis-à-vis the foreign economic interests, emphasizing that his Government would continue "to welcome honest commercial activities and to cooperate with the authorities world wide in dealing with criminal activities". 2/

3. During the period under review, foreign investments continued to represent an important share in the main economic sectors of the Territory, namely, finance, insurance, tourism, real estate and construction. They are generally encouraged by the territorial Government as an important source of economic growth as they provide substantial amounts of capital and foreign

exchange. The Territory's economy has demonstrated stable and unprecedented growth during the last decade. The standard of living in the Territory in 1991 was the highest in the Caribbean and one of the highest in the world. As of 1990, the gross domestic product of the Cayman Islands reached CI$ 454 million, showing an 11.27 per cent growth in real terms over 1989. 3/ The Cayman Islands is the fifth world financial centre, following the United Kingdom of Great Britain and Northern Ireland, Japan, the United States of America and France. 4/

4. The territorial Government, during the period under review, continued to promote the Cayman Islands as one of the world's largest financial centres. Further steps have been taken to attract such foreign investments as could be beneficial to the Territory.

5. As part of that continuing process, the supervision of foreign investment is carried out by the Banking Supervision Department and governed by banking and trust laws. The Department monitors operations of foreign investors and ensures adherence to the territorial guidelines and requirements. Those accord in full with the standards of the Basel Concordat, an international body comprising supervisory authorities around the world. 5/

6. In July 1991, the Legislative Assembly of the Cayman Islands unanimously adopted a bill entitled "Exempted United Partnership Law" which replaced the 1983 Partnership Law. The new legislation guarantees the exempt limited partners a tax exemption from the Cayman Islands Government for the next 50 years. The new law is expected to attract additional inflow of capital from American and Japanese companies that have a preference for limited partnership investment. 6/

7. At the same time, the Government continued to take steps aimed at protecting the economic structure of the Territory from illicit activities of foreign economic interests, such as drug trafficking, money laundering, smuggling of funds, tax evasion and other forms of economic fraud. To that end, in 1989, the territorial Government, along with the Governments of the United Kingdom and the United States, signed a Mutual Legal Assistance Treaty, which provides for the exchange of information on a range of crimes. In 1989, the Treaty was ratified by the United States Senate. 7/ The Cayman Islands is a member of a Caribbean Customs Agreement entitled "The Memorandum of Understanding regarding Mutual Assistance and Cooperation for the Prevention and Repression of Customs Offenses in the Caribbean Zone" aimed at preventing problems arising from smuggling of funds, money laundering and false invoicing, as well as detecting various kinds of white-collar fraud and drug trafficking. 8/

8. It will be recalled that, on 5 July 1991, regulators in seven countries, namely, Luxembourg, the United Kingdom, the Cayman Islands, Spain, France, Switzerland and the United States, seized control of the Bank of Credit and Commerce International (BCCI), a private banking group, on the grounds of widespread fraud. 9/ The Bank's Cayman operations revolved around three main groups, BCCI (Overseas), the Credit and Finance Corporation (CFC) and the

International Credit and Investment Company (ICIC). Based in the Cayman Islands, these three BCCI affiliates reportedly had controlling offices in 29 countries and were responsible for being a conduit for many of the fraudulent activities of BCCI. 10/ On 15 January 1992, Caymanian law enforcement agencies presented to the Cayman Islands Grand Court documents containing data regarding the Bank's fraudulent activities in the Territory. Those documents indicated that BCCI (Overseas) had liabilities of approximately US$ 4.2 billion against realizable assets of US$ 471 million, while about US$ 600 million in BCCI (Overseas) deposits had not been recorded and therefore could not be traced or accounted for. The loan portfolio of BCCI (Overseas) was estimated at US$ 3,244 million against US$ 165 million that could be located and collected. The Cayman Islands Grand Court was also informed that CFC had liabilities of US$ 135 million against realizable assets of US$ 3 million. The report concluded that the liquidation of BCCI in the Cayman Islands would allow depositors and creditors to collect a pay-off of only approximately US$ 0.1 per US$ 1.00. On 16 January 1992, the Grand Court issued an order for the final liquidation of all BCCI interests in the Cayman Islands. 11/ Such liquidation also resulted in the termination of employment of approximately 70 Caymanians hired by three BCCI affiliates. 12/

9. A number of companies were involved in stamp duty evasion operations. According to press reports, the 1989 real estate transactions included 414 (312 in 1988) land transfers "for natural love and affection" which are not subject to the normal 7.5 per cent stamp duty. This legal loophole for avoiding the stamp duty led to a significant decrease in that source of government revenues. 13/

Notes

1/ The information contained in the present paper has been derived from published reports and from the information for 1990 and 1991 transmitted to the Secretary-General on 24 July and 30 December 1991 by the Government of the United Kingdom of Great Britain and Northern Ireland under Article 73 e of the Charter of the United Nations.

2/ The Caymanian Compass, 22 November 1991.

3/ The local monetary unit is the Cayman Islands dollar (CI$). Under the Articles of Agreement of the International Monetary Fund, the value of the Cayman Islands dollar in relation to the United States dollar is fixed at CI$ 1.00 = US$ 1.20.

4/ The Cayman Islands Annual Report, 1989, published by the Government of the Cayman Islands (George Town, Grand Cayman, British West Indies), p. 4.

5/ Ibid., p. 33.

6/ The Caymanian Compass, 29 July 1991.

Notes (continued)

7/ The Cayman Islands Annual Report, 1989, p. 25.

8/ The Caymanian Compass, 16 November 1990.

9/ The New York Times, 5 July 1991; see also The Financial Times (London), 5-6 July and 10 July 1991.

10/ The Financial Times (London), 12 August 1991.

11/ Foreign Broadcast Information Service, Cayman Islands, "BCCI Final Liquidation Order Delivered", 16 January 1992.

12/ The Caymanian Compass, 2 April 1992.

13/ Ibid., 8 October 1990 and 18 January 1991.

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MONTSERRAT

Working paper prepared by the Secretariat

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INTRODUCTION

1. Basic information on conditions in Montserrat is contained in the general working paper prepared for the current session of the Special Committee (A/AC.109/1101). Supplementary information concerning the activities of foreign economic and other interests in the Territory is presented below. 1/

I. ROLE OF FOREIGN CAPITAL IN THE TERRITORY

2. Foreign investment, mainly from Canada, the United Kingdom of Great Britain and Northern Ireland and the United States of America, continues to play a paramount role in the economy of the Territory. Foreign investment is concentrated in such major areas of the economy of Montserrat as tourism, real estate and property development, manufacturing, international business and telecommunications.

3. The policy of the territorial Government to broaden the economic base of the Territory and to promote private sector investments, including foreign investments, was reviewed by the Chief Minister and Minister for Finance in December 1990. It was noted that over the past 10 years, the strategy of the Government for increased foreign investment had not met with the anticipated level of success and, as a result, a new system of incentives had been introduced aimed at attracting greater local investment (for details see A/AC.109/1077, paras. 4-6).

4. In November 1991, Mr. Reuben Meade, the newly appointed Chief Minister, presented a paper to the Fourth Europe-Caribbean Conference at Brussels, sponsored by the London-based West India Committee. In it, he underscored the importance of United Kingdom and European Community aid and investment to the dependent Caribbean Territories (see A/AC.109/1101, paras. 19-21). He noted that the offshore financial sector was vital to the economies of the dependent Caribbean Territories and that it merited special consideration and assistance in order for those Territories to benefit from the Single European Market. In that connection, the Chief Minister drew attention to the stated objective of article 131 of the Treaty of Rome, which reads: "To further the interest and prosperity of the Territories and to lead them to the economic, social and cultural development to which they aspire". The Chief Minister stated that an examination of the economies indicated that most, if not all, of the Territories were unable to reap the advantages of the trade regime. In addition to proposing European investment in export-related industries, the Chief Minister stressed that serious attention should be paid tc the service sector, in particular to the tourism and the financial sectors, which were the main contributors to the economies of the Territories.

5. The Chief Minister took the same message to the Fifteenth Annual Miami Conference on the Caribbean, held at Miami, United States, in December 1991, where he co-chaired a discussion panel on offshore financial services (see also A/AC.109/1101, para. 57).

6. It was subsequently reported that an investment and trade mission from the United States would visit Montserrat from 4 to 8 August 1992. According to the report, the Chief Minister announced that opportunities existed for small- and medium-size firms in tropical fruit processing, ornamental plant production, poultry and egg production, bottling of spring water, information processing, film and video production, development of a 250-room luxury hotel and a 300-berth yacht marina, setting up of sea island cotton products, ethnic restaurants, handicrafts and offshore banking. 2/

II. TOURISM AND REAL ESTATE DEVELOPMENT

7. Tourism and real estate development continued to be the sectors particularly attractive to foreign investors. The major hotels, condominiums and villas are largely owned and managed by expatriates. The reconstruction and renovation of commercial and residential buildings damaged by hurricane Hugo, as well as the construction of villa complexes are reported in a previous working paper (A/AC.109/1077). In its September 1991 Review, the Eastern Caribbean Central Bank (ECCB) reported that while construction continued to provide the main stimulus to economic activity, there appeared to have been a slow-down in the sector as the major portion of the rebuilding exercise in the commercial and residential sectors was completed. ECCB noted that while data on visitor arrivals were not available, preliminary indications had suggested some improvement in the area resulting from stronger marketing efforts and the hosting by Montserrat of a number of regional seminars and conferences. 3/

8. The policy of the Government regarding tourism is to embark on an eco-tourism strategy aimed at developing the natural attractions of the Territory in a manner consistent with environmental considerations. There are no plans for the establishment of the traditional range of attractions and entertainment facilities related to mass tourism. Promotional activities are to be geared, instead, to visitors who appreciate nature activities and could be expected to contribute to the Territory's preservation efforts.

9. With regard to eco-tourism development, Montserrat has under consideration plans for the establishment and upgrading of several tourist attractions, such as the sulphur springs, the hot water pool, nature trails and the bird sanctuary. These areas, however, are currently rather undeveloped and pose potential hazards to the visitor. The development of natural parks would facilitate the task of expanding tourism without overly taxing or damaging the hitherto unspoilt nature image of the island. A feasibility study undertaken in late 1991 on the development of the Galways Soufrière revealed that this sector lends itself to the training and subsequent employment of women, a factor which will be particularly considered in the preparation of assistance activities. The programme will complement the activities carried out by the European Community under a regional tourism development project. 4/

III. MANUFACTURING

10. The manufacturing sector comprises a number of small-scale enterprises, centred on the assembly of electronic components and the production of garments, textiles, and leather and plastic goods. The contribution of agro-processing facilities to the sector has been increasing.

11. In November 1991, the President of W and W Electronics, a local company, announced that his company would soon begin to assemble front and rear brake components for United States and Japanese cars for the Caribbean market. As a subcontractor in the electronics industry, the company had experienced severe hardship as United States manufacturers scaled back their production and diverted some of their work to Haiti. The company had recently begun to record an increase in business and expected to add another 40 employees to its current staff working on electronic assembly.

12. According to the President of the company, the brake assembly business would make a significant impact on the economy of Montserrat. He recognized the problems manufacturers faced in locating in the Territory, but felt that concentrating on one or two products could earn significant revenue. 5/

13. Also in November 1991, the Government convened a workshop to develop an investment promotion strategy for Montserrat for the period 1992-1995. Representatives of public and private sector enterprises participated in the exercise. These included the main economic departments, the Chamber of Commerce, the National Development Foundation and the Eastern Caribbean Investment Promotion Service based at Washington. 6/

IV. INTERNATIONAL BUSINESS

14. Details concerning the review and reorganization of the Territory's international financial services sector are contained in previous working papers on the Territory. In the current working paper (A/AC.109/1101, paras. 54-57), the Chief Minister reported that the process had been completed and that the Territory was ready to resume full activities in this area (see also paras. 4-6 of the present report).

V. TELECOMMUNICATIONS

15. The London-based Cable and Wireless, Ltd. continued to provide Montserrat with local and international telephone and telecommunication services. In November 1991, the General Manager of the local company attended a conference in the south of England which brought together managers from Cable and Wireless companies and subsidiaries in the Caribbean and senior directors from the headquarters in London. The theme of the conference was "Total Quality Culture - the Measurement of Change". It was reported that the company would assess the viability of mobile cellular telephones in the Territory. A review of rates was under way and was expected to be completed during the first half of 1992 7/ (see also A/AC.109/1101).

Notes

1/ The information contained in the present paper has been derived from published reports.

2/ Caribbean Update (New Jersey), vol. 8, No. 6, July 1992.

3/ Eastern Caribbean Central Bank, Economic and Financial Review, vol. 9, No. 3, September 1991.

4/ DP/CP/MOT/3, para. 22.

5/ The Montserrat Mirror (Plymouth), 29 November 1991.

6/ Ibid., 22 November 1991.

7/ Ibid., 15 November 1991.

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ANGUILLA

Working paper prepared by the Secretariat

1. Basic information on conditions in Anguilla is contained in the general working paper prepared for the current session of the Special Committee (A/AC.109/1106). Supplementary information concerning the activities of foreign economic and other interests in the Territory is presented below. 1/

2. Foreign capital from Canada, the United Kingdom of Great Britain and Northern Ireland and the United States of America continues to play a dominant role in the economic life of Anguilla. The main areas of concentration of foreign investment are tourism, real estate and property development, international business and telecommunications. Tourism remains the main economic activity in the Territory, although the Government is continuing a policy of diversification.

3. As in the past, the tourist industry continues to be predominantly controlled by foreigners. In recent times, however, efforts have been made by the Government, major donors and small hoteliers to rectify the structural imbalance of the industry whereby foreign economic interests owned and operated the larger, more successful hotels and nationals operated only the

smaller, less efficient units (see A/AC.109/976, para. 3). During the electoral campaign preceding the general elections of February 1989, the Chief Minister, Mr. Emile Gumbs, quoting the manifesto of his ruling Anguilla National Alliance party, stated that "no further licences will be granted for exclusively owned foreign investment in the hotel sector in the near future", and "every encouragement will be given to local and joint-venture investment in the hotel sector".

4. In October 1991, the Government announced that it was carrying out a review of the Territory's tourism policy. The Minister for Finance and Economic Development said that the study was being carried out to ensure that Anguilla was not overdeveloped too soon (see A/AC.109/1106, para. 65).

5. In January 1991, the Government said that it was tightening regulations on land held by foreigners under the Alien Land Holding Licences Ordinance. The Deputy Governor said that aliens who had been granted a licence but did not complete their projects within the prescribed time should pay financial penalties immediately, in order to avoid forfeiture proceedings. 2/

6. The Government continued to promote the Territory as a haven for regional and international deposits. Its chief attractions were convertibility of a wide range of foreign currencies and no taxes on income and capital gains.

7. In its 1990 report on Anguilla, the Caribbean Development Bank stated that commercial bank deposits increased by 14 per cent from EC$ 53.8 million at the end of December 1989 to EC$ 61.3 million in September 1990. 3/ Loans and advances grew by 32 per cent to reach EC$ 43.8 million. A substantial portion of these funds financed personal loans for house and land purchase, as well as loans to the tourism, transportation and construction sectors. 4/

8. Following a review of the Territory's financial sector order by the Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom, Anguilla's international financial services were placed under the authority of the Governor in May 1990. With the assistance of the United Kingdom, the Territory reviewed 43 bank licences and cancelled 30 (see A/AC.109/1058, paras. 56-60).

9. In December 1991, the House of Assembly approved the Offshore Banking and Trust Companies Ordinance, giving the Governor complete and final authority over the granting of licences to offshore companies. Under the new legislation, licencees will be obliged to appoint resident agents approved by the Governor. 5/

10. Further, any proposed issue or transfer of shares will have to be approved by the Governor. In addition, the ordinance established the principle of corporate criminal liability for contraventions of the regulations. The opposition party in the House of Assembly complained that the powers thus given to the Governor placed him outside the jurisdiction of the courts. 5/

11. In July 1991, the Governor ordered two foreign bankers to surrender their licences and to leave the Territory, stating that their presence was not conducive to the public good. Prior to that, press reports in the United Kingdom had linked one of the bankers to fraudulent banking activities years before.

12. In October 1991, the Finance Minister said that a recent visit to Canada to discuss financial and offshore banking, members of the territorial Government had been approached by a lawyer who suggested that Anguilla could welcome between 50 and 100 wealthy Hong Kong residents. Each of these potential immigrants would have over EC$ 5 million in assets and would be prepared to spend at least EC$ 500,000 in the areas of tourism and manufacturing. The Finance Minister said, however, that the Government would never bring Hong Kong residents to settle in Anguilla because the people of the Territory were against it. 6/

13. The Governor said in September 1991 that the appointment of expatriate professionals was necessary to keep Anguilla's Administration operating and to train future replacements. 7/ He further said in his Throne Speech that the continuing need in the foreseeable future to recruit such expatriate staff to fill key posts in Anguilla represented no threat to the aspirations of Anguillans. He called upon qualified Anguillans living abroad to repatriate their talents.

14. In May 1990, the Government announced plans to set up a company comprising the Government, members of the public and a foreign investor to run the island's electricity services. The Government's decision to privatize the electricity system follows the completion of a pre-investment study of the island's electricity needs to the year 2000 by British consultants, which recommended the setting up of a private company as the best way to meet these needs and to provide a reliable, cost-efficient service (see A/AC.109/1058, para. 44).

15. The Anguillan Government was expected to sign four separate agreements in February 1991 towards the privatization process. These included a corporate agreement between the Government, the Commonwealth Development Corporation and ANGLEC, the company which would take over the operations of the electricity services. Another agreement was to be signed between the Corporation and ANGLEC, involving a cash investment by the former of EC$ 2 million for the purchase of 30 per cent of the voting shares of the new company. 8/

16. Cable and Wireless (West Indies), Ltd. continued to be the sole owner and operator of telephone and telecommunication services in the Territory. In October 1988, the company signed an agreement with the Government for continuance of both internal and external telecommunication services for an additional 30 years.

17. Fishing, the second most important economic activity, has continued to be threatened because of poaching by foreign vessels using sophisticated fishing techniques. In March 1988, the Fisheries Development Officer of the Organization of Eastern Caribbean States secretariat pointed out that more than 20 foreign fishing vessels were operating in the eastern Caribbean, most of them illegally, taking nearly 5,500 kilograms of swordfish from the area every week.

18. In May 1990, Anguillan officials met in the Territory with their counterparts of St. Maarten/Saint-Martin. The talks focused, inter alia, on the question of fishing in Anguillan waters by foreign boats based in St. Maarten/Saint-Martin. Prior to the meeting, in April 1990, a fishing vessel belonging to a Far Eastern company, thought by the Anguillan police to have come from St. Maarten/Saint-Martin, was detained by the police for allegedly fishing in the island's territorial waters.

19. The possible use by drug dealers of the Territory's offshore banking system to launder money as well as the use of Eastern Caribbean countries, including Anguilla, as major transit points in the illicit drug trade has led the Government of the United Kingdom, as the administering Power, to review its policy towards its five Caribbean dependent Territories and Bermuda.

20. In July 1990, it was announced that legislation authorizing Anguilla to enter into legal cooperation agreements with the United States concerning drug-trafficking investigations had been approved by the Anguilla House of Assembly in May 1990. The "Mutual Legal Assistance United States of America" bill is Anguilla's first step towards participation in a treaty between the United Kingdom and the United States, which is now being extended to the British Caribbean Territories.

21. According to the Deputy Governor of Anguilla, similar legislation already enacted in the Cayman Islands and the Turks and Caicos Islands would soon be approved in Montserrat, the British Virgin Islands and Bermuda. The Deputy Governor further stated that, upon submission of information by the Anguillan Government, it would be possible for the Government to approach authorities in Washington for a share of drug traffickers' seized assets.

22. Furthermore, the United Kingdom and the United States negotiated what is termed a "Shipriders Agreement" which, as stated by the Governor, "is an agreement whereby an officer of the Anguillan Government would be allowed to travel in a United States vessel for the purpose of apprehending any criminals who were committing offences in Anguillan jurisdiction". Under this agreement, the Government of Anguilla would place a police, customs or immigration officer aboard the United States vessel and would then authorize the vessel to act on behalf of the Government of Anguilla (see A/AC.109/1073, paras. 8-14).

Notes

1/ The information contained in the present paper has been derived from published reports, including the Caribbean Development Bank Annual Report, 1987 (Barbados), 1988, 1989 and 1990.

2/ The Virgin Islands Daily News, 24 January 1991.

3/ The currency of the Territory is the East Caribbean dollar (EC$). One United States dollar (US$ 1.00) is equivalent to EC$ 2.70.

4/ The Caribbean Development Bank, Annual Report, 1990 (Barbados).

5/ Caribbean Insight, February 1992.

6/ The Island Sun, 5 October 1991.

7/ Caribbean Insight, September 1991.

8/ The Virgin Islands Daily News, 11 February 1991.